



ASSOCIATION FOR LOCAL TELECOMMUNICATIONS SERVICES

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NOV 9 2001

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

November 9, 2001

Magalie R. Salas, Secretary  
Federal Communications Commission  
The Portals  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

**Re: Notice of *Ex Parte* Presentation; CC Docket No. 01-277**


Dear Ms. Salas:

Pursuant to Sections 1.1206(b)(2) of the Commission's Rules, this letter is to provide notice in the above-captioned docketed proceeding of an oral presentation made on November 8, 2001. The presentation was made by Jonathan Askin and Teresa Gaugler of the Association for Local Telecommunications Services ("ALTS") and Charles Emling, Brent McMahan and Kyle Kopytchak of Network Telephone. The presentations were made to Aaron Goldberger, Pam Megna, Jessica Rosenworcel, Renee Crittendon, Ian Dillner, Dennis Johnson, and Daniel Shiman of the Common Carrier Bureau.

During the presentation, the parties discussed issues related to BellSouth's applications to provide in-region long distance services in the states of Georgia and Louisiana. The attached written materials were discussed and presented to the Commission staff. A more thorough description of these documents will be filed in a later written *ex parte*.

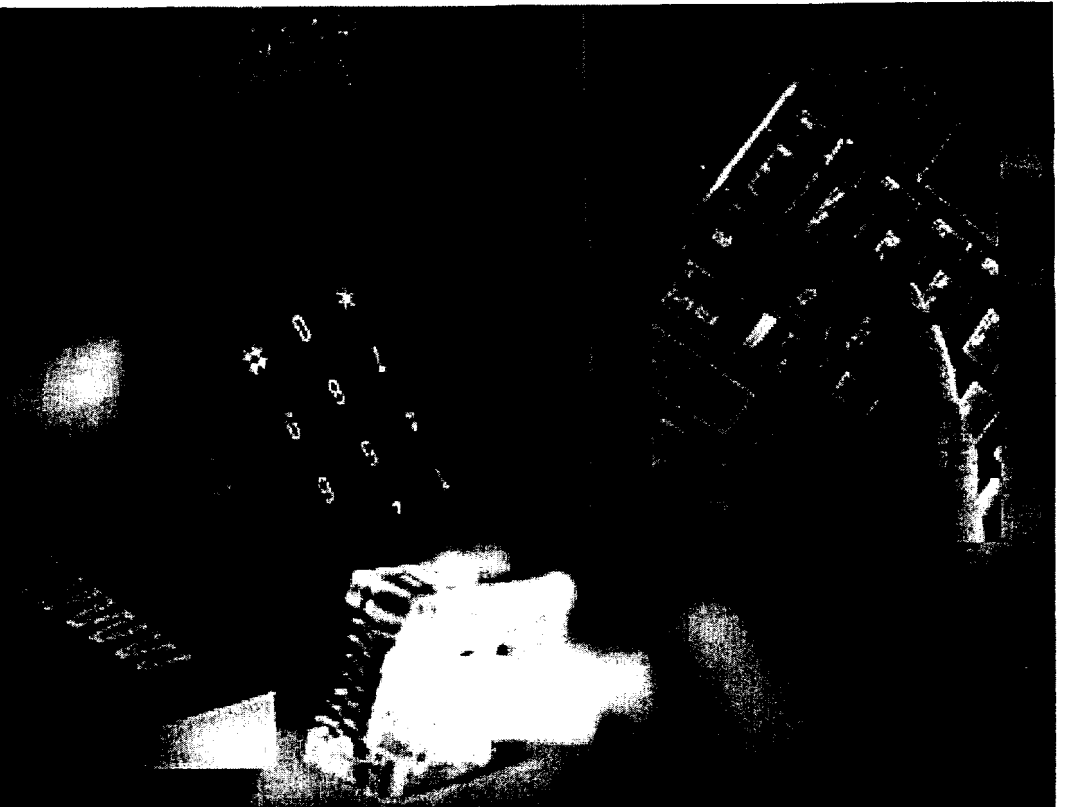
Enclosed are one original and one copy for filing in the above referenced proceeding. If you have any questions about this matter, please contact me at 202-969-2587.

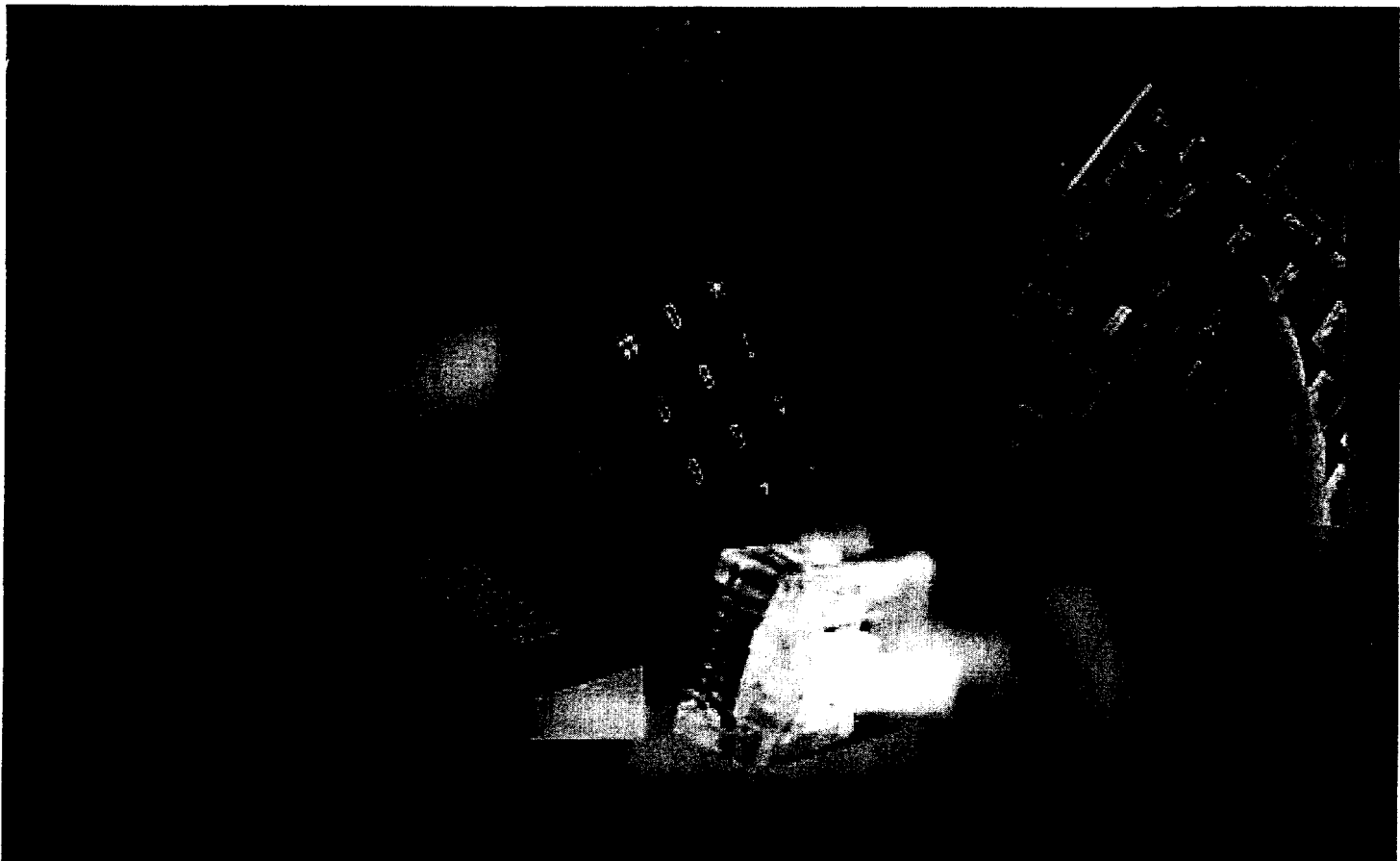
Respectfully submitted,

  
Teresa K. Gaugler

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NETWORK TELEPHONE  
VOICE • DATA • VIDEO





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— VOICE • DATA • VIDEO —

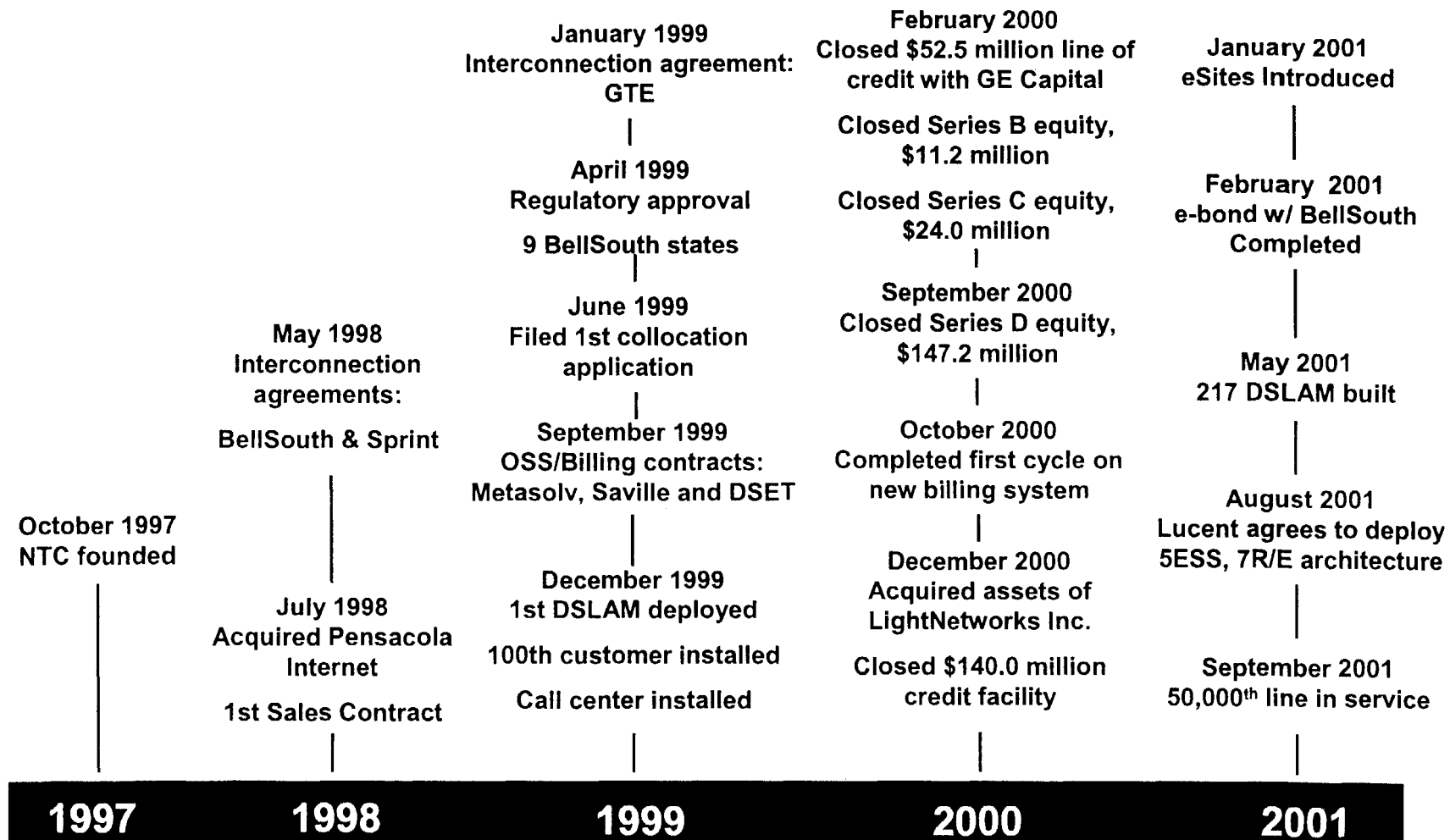
Communication has evolved.

POWERLINE DSL™  
BY NETWORK TELEPHONE 

# Network Telephone Overview

- Founded 1997
- Southeastern region focus
- Small, mid-sized business focus
- Direct sales driven
- UNE-P early entry, VoDSL by Q1 2002
- Fully funded business plan
- Strong balance sheet

# Network Telephone Timeline



# Network Telephone Overview

- Annualized revenue of \$19.9 million
- Gross Margin positive by January 2002
- Cash flow positive by November 2003
- Operating in 31 markets, 8 states
- 53,654 lines
- 6,286 customers
- 502 Employees
  - 139 Sales employees

As of Nov. 1, 2001.

# Customers/Lines in Service

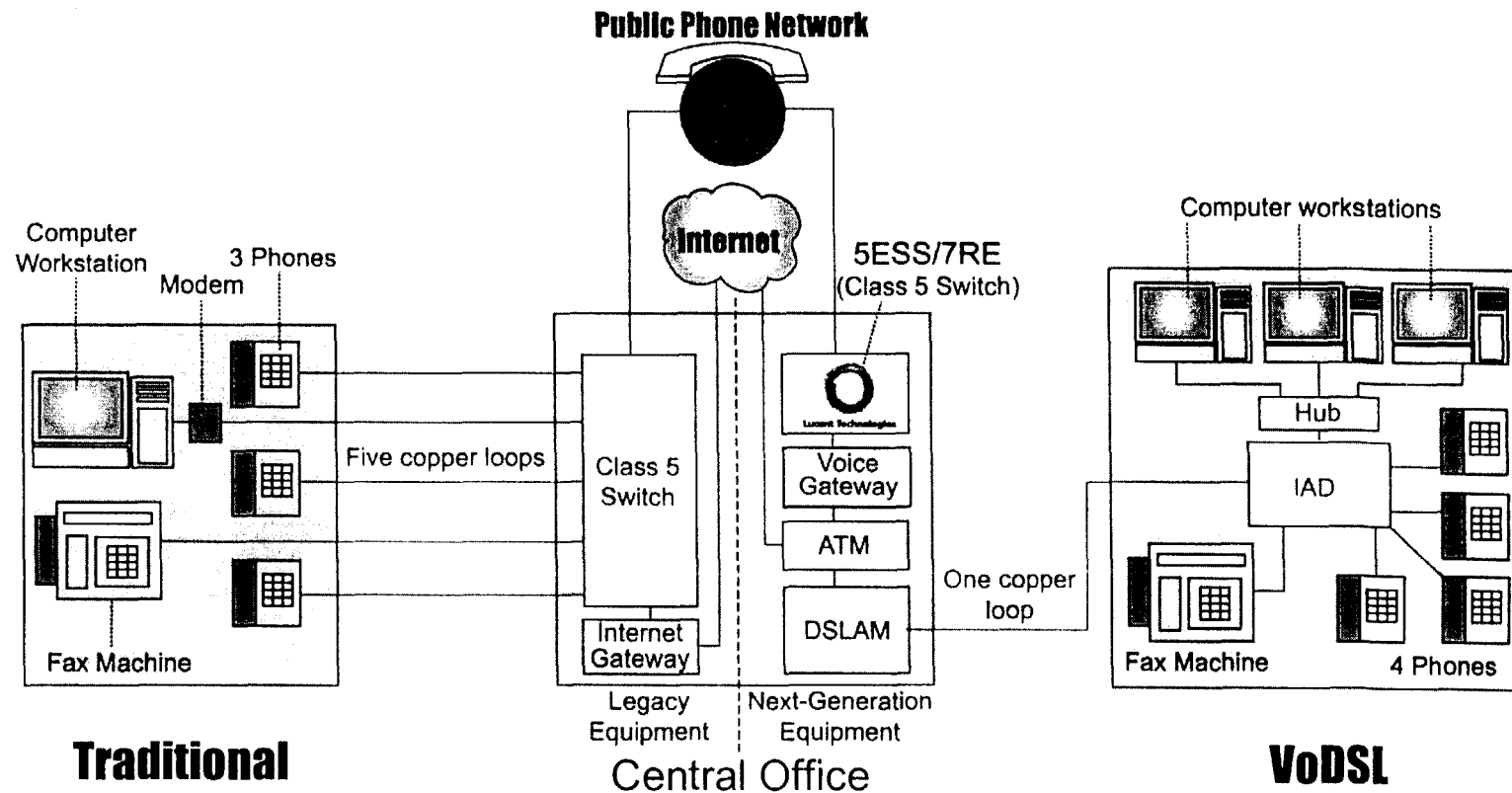
	Lines	Customers
Alabama	7,646	928
Florida	11,208	1,519
Georgia	1,216	151
Kentucky	958	123
Louisiana	17,842	1,876
Mississippi	11,680	1,322
N. Carolina	829	104
Tennessee	2,146	238
<b>TOTAL</b>	<b>53,525</b>	<b>6,261</b>

As of Oct. 30, 2001.



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# VoDSL vs. Traditional Architecture





## Tennessee

Chattanooga  
Columbia  
Jackson  
Knoxville  
Lebanon  
Memphis  
Nashville

## Kentucky

Louisville

## North Carolina

Cary  
Charlotte  
Gastonia  
Raleigh

## Mississippi

Biloxi  
Columbus  
Gulfport  
Hattiesburg  
Jackson  
Laurel  
Meridian  
Oxford  
Pascagoula  
Tupelo  
Vicksburg

## Georgia

Albany  
Alpharetta  
Atlanta  
Chamblee  
Conyers  
Duluth  
Dunwoody  
Jonesboro  
Lilburn  
Marietta  
Norcross  
Roswell  
Smyrna  
Tucker  
Woodstock

## Louisiana

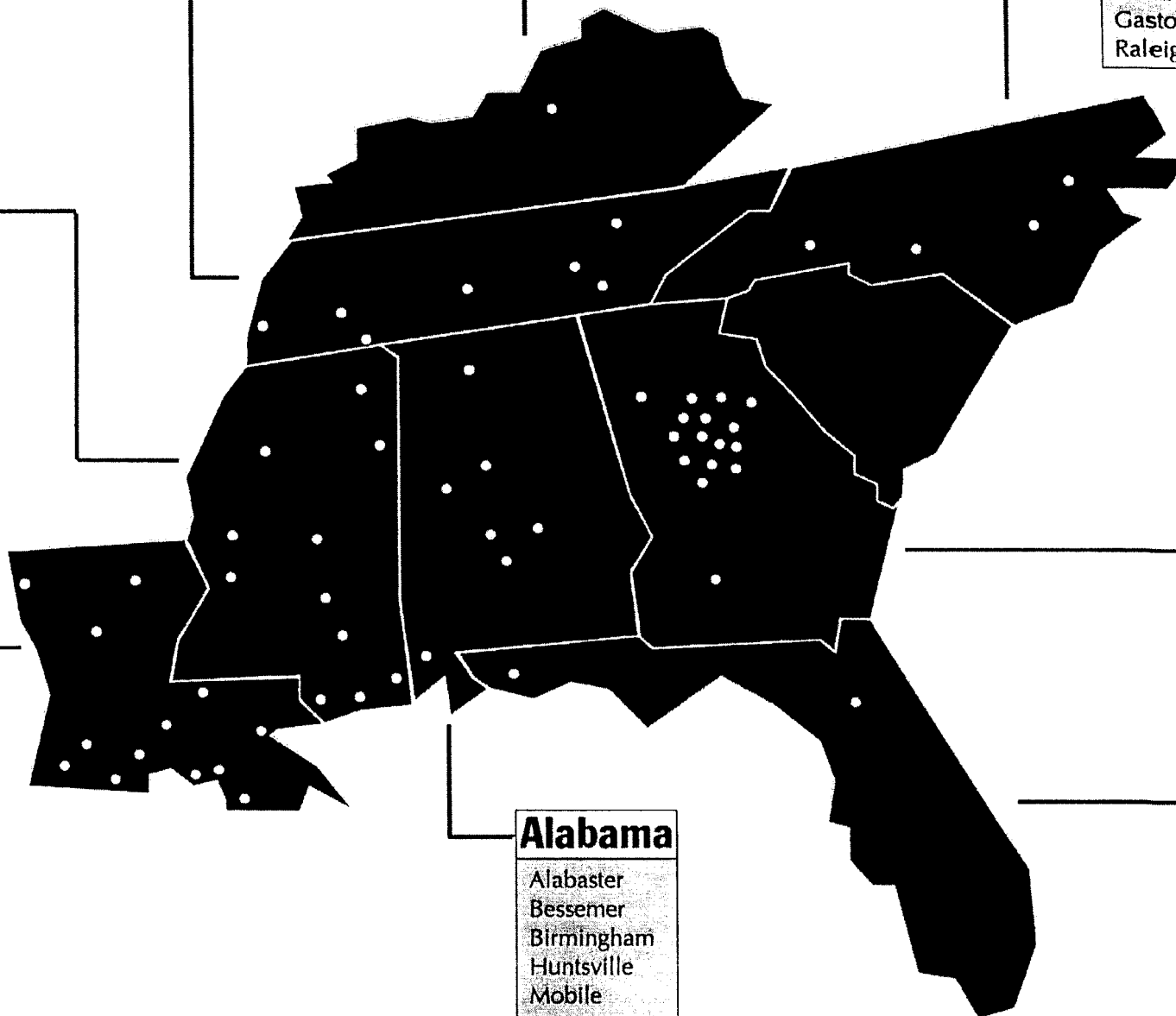
Alexandria  
Baton Rouge  
Broussard  
Dahmar Springs  
Houma  
Kenner  
Lafayette  
Lake Charles  
Monroe  
Morgan City  
New Iberia  
New Orleans  
Shreveport  
Slidell

## Alabama

Alabaster  
Bessemer  
Birmingham  
Huntsville  
Mobile  
Montgomery  
Tuscaloosa

## Florida

Gainesville  
Pensacola



# Bundled Service

**stop your wait.**  
With a **VOICEDATAVIDEOPACKAGE**  
from Network Telephone

Our Founding DSL Package combines your business telephone, long distance, and Internet service in one easy-to-use bundle.

**Web**

- **FREE** 100 web pages for 1st year
- **FREE** e-mail, web hosting, & SSL
- **FREE** business card
- **NO** time limit on service

**Phone**

- **FREE** 100 long distance minutes
- **FREE** 100 long distance minutes
- **FREE** 100 long distance minutes

**1-877 DSL IS IT**  
(877-375-4748)



Local phone

Long distance

DSL

Web hosting

eSites

eMail

domain name



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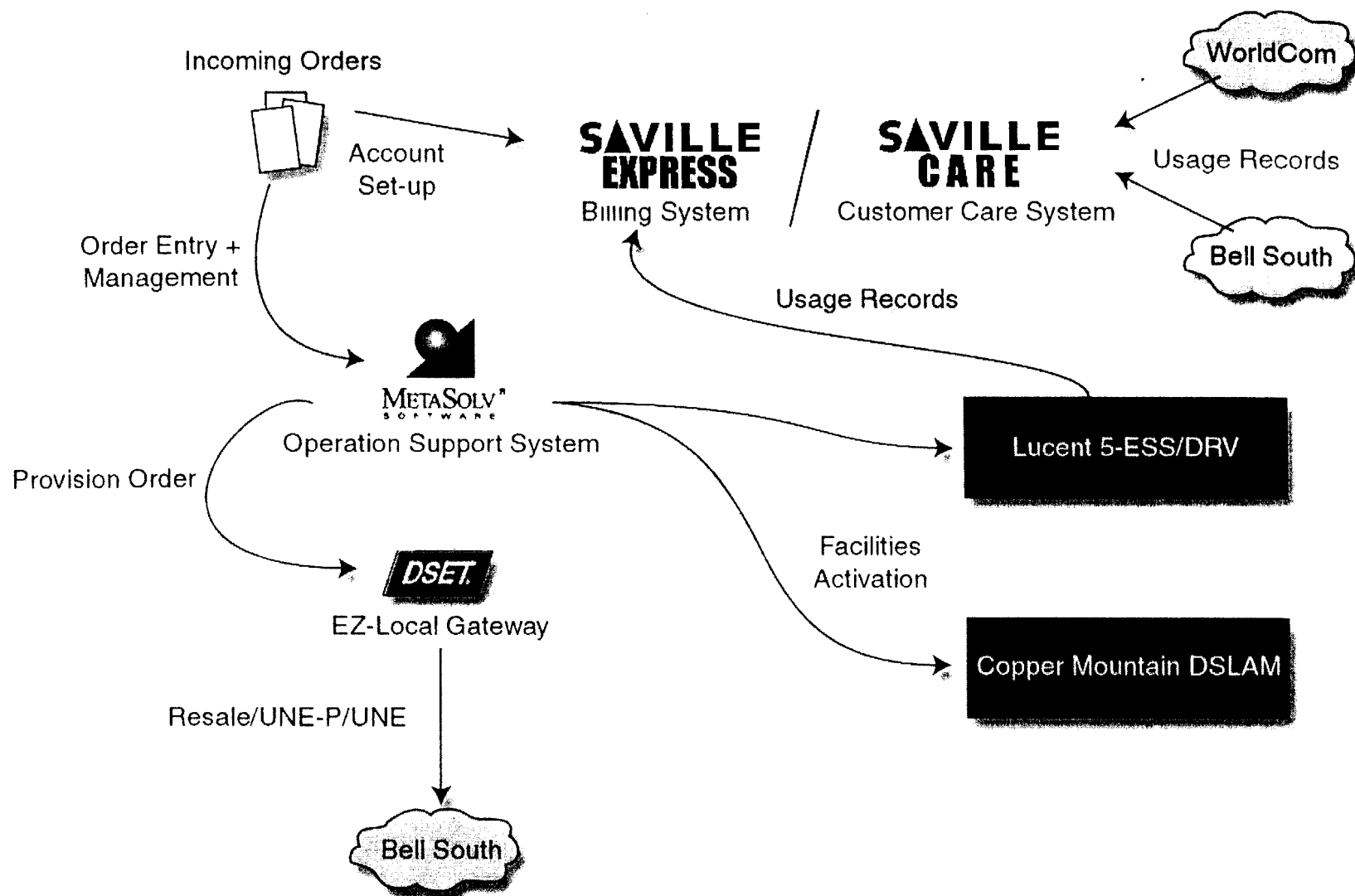
# How the Bundle Compares

	PowerLine DSL™ Package		BellSouth Bundle	
Local	6 Lines	Incl.	6 Lines	\$290.00
Long Distance	600 Minutes	Incl.	600 min.	\$ 48.00 <sup>a</sup>
Data/Internet	160 Kbps DSL	Incl.	ADSL	\$ 75.00
Web site hosting	25MB	Incl.		\$ 28.95
TOTAL		\$386*		\$442*

a) Cost for long distance assumes minutes @ 8. per minute. BellSouth does not provide Long Distance.

\*Pricing for Birmingham, AL. Includes EUCL, PICC. BellSouth Source: [www.bellsouth.net](http://www.bellsouth.net).

# Fully Integrated Back Office



# Best of Breed Partners

Lucent Technologies  
Bell Labs Innovations



COPPER MOUNTAIN  
High Performance DSL Networking



micro  
muse

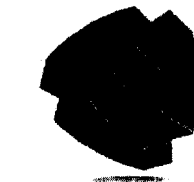
WWW.SUN.COM  
 **Sun**  
microsystems



**JETSTREAM™**  
COMMUNICATIONS



**METASOLV®**  
SOFTWARE



**TURNSTONE**

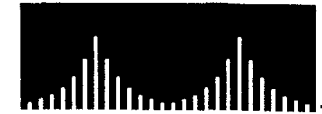


**ADC Telecommunications**

**ORACLE™**



**CISCO SYSTEMS**



EMPOWERING THE  
INTERNET GENERATION®

**netopia®**



invent



**3COM**

# Balance Sheet Highlights

- **\$95.2 million cash**
- **\$320 million in invested equity**
- **\$1 million in debt**
- **\$232.3 million of assets**
- **\$128.8 million of network assets**

Pro forma for the receipt of Lucent receivable payable during 2002.

# Projected Results

(\$ in 000s)	Fiscal Year Ended			
	2001	2002	2003	2004
<b>Revenue</b>	\$19,912	\$50,175	\$111,796	\$179,461
<b>Gross Profit</b>	(\$10,747)	\$15,640	\$66,345	\$111,774
<b>EBITDA</b>	(\$53,007)	(\$28,453)	\$9,409	\$45,524
<b>Total Access Lines</b>	57,996	127,268	248,156	367,661
<b>Salespeople</b>	95	164	200	200

Gross margin positive: January 2002

Cash flow positive: November 2003

# Equity Sponsors

Lucent

Brown Brothers Harriman

Desai Capital Management

Ray Russenberger

Windpoint Partners

Spectrum Equity

Lehman Brothers

Onset Ventures

CenturyTel

Morgan Keegan

Mellon Ventures

Friends & Family



# Experienced Leadership

Ray Russenberger  
22 years experience

**Founder, Chairman,  
CEO, President**

**CEO, Network USA  
Vice Chairman, A+ Network  
Board Member, MetroCall**

Vincent Oddo  
20 years experience

**Executive Vice  
President, COO**

**EVP, CIO, Gabriel/TriVergent  
VP, CIO, NuVox  
COO, Conxus**

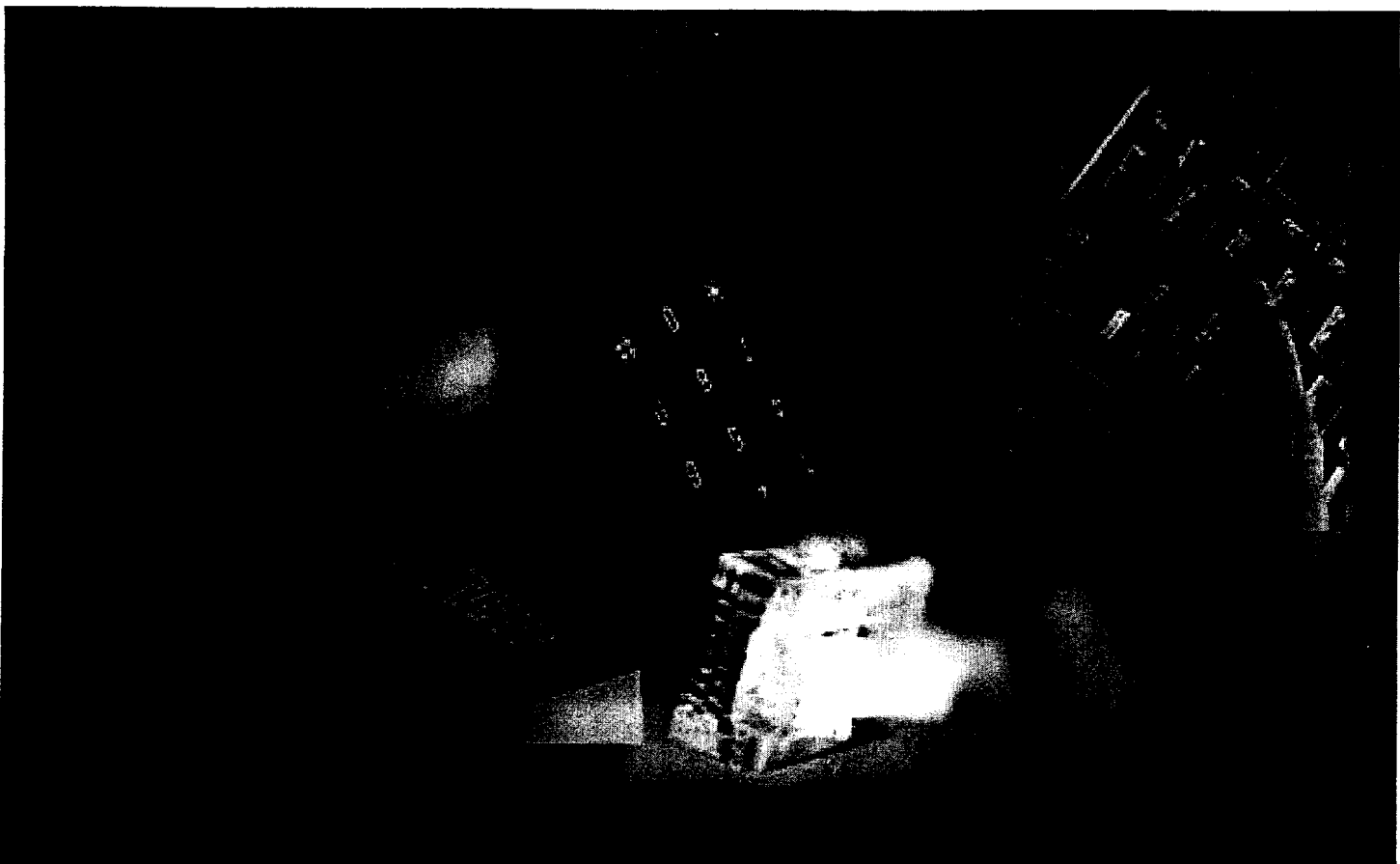
Charles Emling  
19 years experience

**Executive Vice  
President, CAO**

**President, Network USA  
President, A+ Network**

# Experienced Management

Mitch Dantin Vice President, Order Management	13 years	Network USA
Craig Holloway Vice President, Operations Support Systems	12 years	Sprint, Ernst & Young
Brad Howell Vice President, Information Technology	10 years	BlueStar, Broadwing, Southwestern Bell
Donald Keith Vice President, Technology Group	25 years	Nortel
Danyelle Kennedy Senior Vice President, Finance	9 years	Arthur Anderson, O'Sullivan Hicks Patton
Eston Kirby Senior Vice President, Engineering, Planning, Network Operations	25 years	BellSouth, Covad, BlueStar
Brent McMahan Vice President, Regulatory	25 years	BellSouth, Williams Communications
Caron Sjoberg Senior Vice President, Customer Care & Marketing	20 years	Network USA



# Roadblocks to Competition



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# Working With BellSouth

- Account Team periodic meetings, plans & daily and weekly calls
- Agreement negotiations/amdnts
- BST Forums participation: UNE-P, Facility-based, Resale, EDI, etc.
- PMAP testing /CCP participation /3rd Party Collaborative
- PSC & FCC informal complaints

# Customer Outages

- **Port Out Problems**
  - Almost too numerous to mention. Each port consistently results in a customer outage.
- **Disconnects on UNE-P**
  - Bell has no incentive to improve process or implement change process instead of N&D.
- **Pending Facilities**
  - NTC finds that Bell will provide service on their own orders, and will provide partial service to themselves, while NTC orders wait.

# Back Office Issues

- **EDI**
  - Implementation problems
  - No learned experience assistance
- **LENS**
  - Outage issues
- **UNE-P**
  - Implementation problems
  - No learned experience assistance

# Back Office Issues

- **Non-Mechanized Orders (UDC, Complex)**
  - Bell does not use UDC UNE.
  - Bell has no incentive to provide mechanized ordering.
  - Bell will not allow ordering by e-mail.
  - Continuous problems with faxing orders. Substantial additional costs.
- **CLEC Purchase**
  - NTC purchased assets of another CLEC.
  - NTC paid \$2 million owed to Bell by that CLEC.
  - Due to multiple problems/little BST support, NTC has a 60-day delay with orders to former CLEC's locations.

# Clarifications

- **Orders clarified in error**
  - NTC is asked to supp the order rather than escalate to have it processed.
  - These orders are never counted as a clarification in error against BST.
  - NTC complies only because it is the fastest way to serve the customer.
- **Multiple clarifications**
  - Same order clarified several times, not 'cleaned' once.
  - Bell says this should not happen. It does - repeatedly delaying orders.



# CSI Issues

- When an order is worked, BST updates the CSI. We must have this to begin billing.
- We have documented - for two years, the lag in CSI updating – sometimes weeks or months.
- Requested policy on normal interval repeatedly.
  - In May NTC was told 30 days. NTC requested this in writing.
  - Written response said 24-48 hours for update.
- Asked for escalation procedures if it is over that time.
  - Still awaiting response.

Network Telephone has spent two years documenting and following up on this issue.

# Escalation Issues

- Account Team Process flawed
- When NTC asks for LCSC supervisor, placed on hold, often for more than an hour.
- BST does not return calls.
- When NTC complains of slow or no response, instead of looking internally, Bell asks for documentation that NTC followed procedures.
- BST changes escalation process frequently, without any improvement. Changes cause confusion for CLECs and internally at BST.

# Demarcation Point

- **Our contract defines the UNE as:**
  - “up to and including inside wire owned by BST.”
- **BST is inconsistent in dropping service.**
  - Leaves service on top of pole.
  - Leaves service on awning when the customer has an interior demarc.

# Collocation Issues

- **Access Problems**
  - Key cards not issued or not activated
  - Locks changed
  - 24 hour access denied
- **Back Billing**
  - \$6 million
- **Locations**
  - A floor that floods
  - A/C problems

# Billing Issues

- Problems during ordering generate inaccurate charges.
  - Example: Order is clarified in error, resubmitted to comply with Bell specifications, billed according to order but not according to how the circuit was delivered.
- Rates billed NOT in accordance with current interconnection agreement.
- Collocation invoice processing appears manual.
  - Example: Additional Engineering charges billed at \$2,000 per hour instead of \$31.00 an hour.
- Incorrectly billed local channel charges on circuits connecting collocations within the BST central office.

# Billing Dispute Process

- Payment amounts withheld.
  - Disputes are reflected as outstanding balances and accumulate late payment charges.
- BellSouth initiates collections processing.
  - Disputed amounts not documented in the Bell system.
- Time spent clarifying.
- Disputes denied without documentation.
- Granted adjustments posted inconsistently and difficult to track.
- BST Dispute Department cannot give credit, forcing escalation.
- \$20,000 additional billing for ADUF historic files from CABS.

# Rate Discrepancies – Promotions

- BST continually offers **promotions** to business customers
  - Tariffed examples
- Term agreements for basic business service discounts of **6-18% (TN 10-25%)**
  - Businesses with \$100-\$3,000 monthly billing
- Win-back program discounts of **10-20%**
  - Businesses with \$70-\$12,500 monthly billing

**CLEC wholesale discount from Bell: 16.81%**

# Performance Measurement Discrepancies

- Flow Thru fallouts (2/3 BST-caused) belie BST PMAP measurements
- Total Service Order Cycle Time disparity
- PMAP Data of questionable validity
  - Missing PONs not recorded
- BellSouth's high error rate discounted.
- CCP process flawed & costly



# PMAP - Flow Thru Problems

## BellSouth Claims:

- Ninety percent of CLEC orders handled electronically, i.e., flow-thru without manual handling.
- Action plan proves BellSouth partnership efforts.
- CLEC error improvement improves flow-thru.
- BellSouth works to improve flow-thru

## Reality:

- Fully 2/3 of all flow-thru errors are BellSouth caused. Out of 2,293 September 2001 orders, NTC had 870 partially mechanized (38%) and 605 non-mechanized (26%). Neither is factored in penalties.
- Action Plan is a regulatory ruse; no partnership is forged; or even contemplated by BST. Plan ignores BST errors.
- By far, the most significant detriment to better flow-thru performance is BST's own errors, which drop orders to partial mechanized status and thus no measurement.
- NTC flow-thru trailed BST and Industry for six months.

# Error Analysis - PMAP

## BellSouth Claims:

- PMAP is accurate and reflects valid integration of its multiple ordering and repair systems.
- BellSouth claims its errors don't affect CLECs;
- BellSouth claims its clarification process eliminates errors.

## Reality:

- NTC has found missing PONs, and faulty calculations generating errors, even in September 2001 data.
- NTC July error analysis reveals BellSouth error rate of 42% for our OCN. BST refuses to identify its own errors.
- Random survey revealed BST clarification error rate of 40% for NTC.

# Change Control Process Flawed

## **BellSouth Claims:**

- Faxing is acceptable means of delivery of order requests. For those orders like UDC requiring faxes, BST promises to offer up to date electronic delivery (CR424)
- CCP promptly considers CLEC inputs for process improvements.
- BellSouth offers identical interfaces for electronic support systems

## **Reality:**

- BellSouth refuses to eliminate faxing for order input; and delays electronic interface improvements.
- BST repeatedly refuses to respond to CLEC CCP requests.
- BST blames CLECs for 33% to 99% of all down-time for electronic interfaces , e.g., COFFI.

# Summary

- NTC continues to have the same problems - over and over:
  - Delays
  - Requests for documentation
  - Partial responses
  - Continuing problems
- When NTC enters a new market or provides a new service, a host of new problems with BST surface - in addition to keeping the old ones.

# Summary

- The amount of research and documentation required to refute Bell's claims or file formal complaints is overwhelming and expensive.
- NTC has to focus on moving forward and serving customers. When NTC documents a specific incident carefully to use as an example, BST responds that it is isolated.

# Roadblocks to Competition

For every delay, every error, every unreasonable request for documentation, every minute of every day BellSouth costs Network Telephone revenue in what we spend to correct problems and overcome obstacles, and in what we lose when a BST roadblock results in a lost customer.